

WESTONARIA LOCAL MUNICIPALITY



ANNUAL BUDGET

2015 – 2018

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Executive Summary

The budget for 2015/16 of the municipality has an objective of improving the viability of the municipality and ensuring that services are improved in the municipal area. The budget will also try to address the infrastructure challenges. The budget also suggest policy reviews that will effect free basic services to poor households in line with Indigent support policy and also ensuring that communities pay for all services they receive from the municipality.

The municipality has budgeted for revenue of R607 million for the 2015/16 to R625 million in 2016/17 and increased to R656 million in the 2017/18 financial year. The operating expenditure for 2015/16 is R543 million which increased to R565 million in the 2016/17 and for 2017/18 has increased to R585 million. The municipality is forecasting an operating surplus of R63 million which will decrease to R60 million in the 2015/16 and increased to R70 million in the 2016/17 financial year.

	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Total Revenue (excluding capital transfers and contributions)	607 266 829	625 923 875	656 524 342
Total Expenditure	(543 353 962)	(565 653 191)	(585 725 222)
Operating Surplus	63 913 768	60 271 011	70 799 752
Transfers recognised - capital	(62 801 000)	(52 248 200)	(55 290 400)
Surplus after capital transfers & contributions	1 112 768	8 022 811	15 509 352

The budget was also developed with anticipation that the collection rate will be increased from 35% to 71%.

Capital budget	2015-16	2016-17	2017-18
MIG budget	44 460 000	45 748 200	48 290 400
DAC	469 000	0	0
DoE	8 000 000	6 000 000	7 000 000
Own Funding	9 872 000	500 000	0
Total Capital Budget	62 801 000	52 248 200	55 290 400

The capital budget will be finance through municipal infrastructure grant, the grant from department of arts and culture and the department of energy. The municipality will also be contributing R9.8 million from its coffers to fast track implementation of other urgent service delivery issues.

Introduction

The purpose of the report is to present the annual budget of the municipality to the council for approval. The municipal finance management act requires the Mayor of a municipality to table the annual budget of the municipality to council before the start of the financial year for approval.

Background.

The municipality have compiled the budget for 2015-2018 in line with the guidance from National and provincial treasury and it was also developed in line with the Integrated Development Plan of the municipality. The budget is a tool that will ensure that the IDP is implemented and it's realisable. The budget will also outline the business model for the municipality and it will reflect on the revenue and expenditure of the municipality.

The budget is aimed at ensuring that the municipality is able to provide effective and efficient service delivery to its community. The initial process of the budget was for the municipality to develop a budget compilation process that will ensure that each and every stakeholder in the municipality participates in the budget process. The process included consultative forum, management inputs, business plan, public participation and budget finalisation process.

The municipality went not an intensive process on consultation to ensure that the budget is a product developed by everyone. We had public participation process were local media was also involved in the process. The budget was advertised in the local and national media and communities were encouraged to make an input in the budget process.

Budget Discussion.

There were various discussions on the budget and the discussion was focused on the current service delivery and liquidity position of the municipality and how do the municipality develop a budget that is feasible and affordable for the whole community. During the budget consultative meetings there were various views raised from all angle about the draft budget and what changes the community wants to see in the budget.

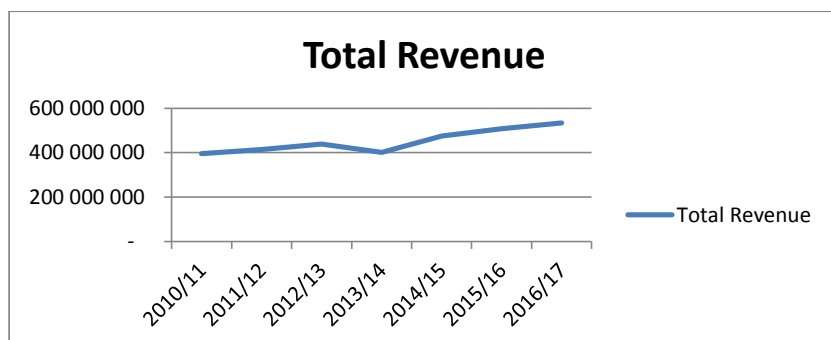
The inputs we mostly received relates to poor services that the municipality is providing and the need for the municipality to improve the services. The other popular view especially derived from ward 4 and 5 relates to proposed increases in the tariffs. This view was supported by the DA. We took all the concern into consideration and ensured that we develop a budget that is realistic, service driven and enable the municipality to recover all costs relating to services the community demands.

The budget also proposes serious policy changes in relation to cost recovery versus affordability. The budget for 2015/2016 to 2017/2018 focuses on cost recovery and ensuring that the municipality is sustainable and viable. There are notions that the budgeted revenue should be linked to CPIX rather than focusing on cost recovery. The weakness with this proposal is that you will be compiling a budget that is not adequately funded and the strategic objective of the municipality is to create a financial viable and sustainable municipality.

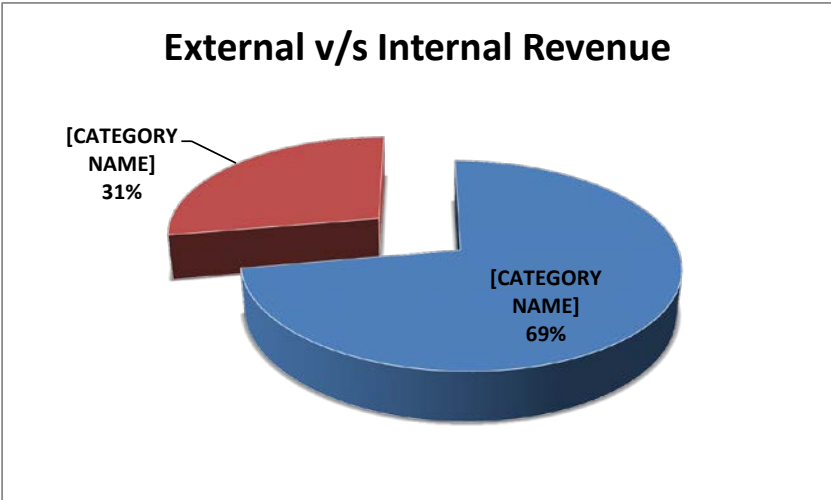
How to create a viable entity if you operate at a deficit in most of your crucial services like water, electricity, sewer and waste. We supposed to be generating significant profits on these services so that we can subsidise other non-revenue generating services. The municipality have been operating at loss in those services and this put a serious strain in the operations of the municipality.

Operating Revenue

Description	Current Year 2014/15	2015/16 Medium Term Revenue & Expenditure Framework			
R thousand	Adjusted Budget	Budget Year 2015/16	% Change	Budget Year +1 2016/17	Budget Year +2 2017/18
Revenue By Source					
Property rates	203 195 000.00	67 018 180.00	-67%	72 094 452.00	77 526 064.00
Property rates - penalties & collection charges	-	33 000 000.00	100%	33 000 000.00	33 000 000.00
Service charges - electricity revenue	86 500 440.00	99 475 506.00	15%	109 423 056.00	107 759 391.00
Service charges - water revenue	123 568 891.00	138 232 811.00	12%	140 260 226.00	149 433 245.00
Service charges - sanitation revenue	24 326 042.00	26 758 647.00	10%	28 310 648.00	29 952 666.00
Service charges - refuse revenue	15 728 404.00	32 301 345.00	105%	34 000 823.00	35 798 870.00
Service charges - other	-	-		-	-
Rental of facilities and equipment	178 723.00	387 089.00	117%	409 540.00	433 293.00
Interest earned - external investments	500 000.00	529 000.00	6%	560 000.00	592 000.00
Interest earned - outstanding debtors	-	-		-	-
Dividends received	-	-		-	-
Fines	6 986 000.00	7 391 188.00	6%	7 819 876.00	8 273 429.00
Licences and permits	-	-		-	-
Agency services	-	8 223 313.00	100%	8 700 265.00	9 204 880.00
Transfers recognised - operational	125 884 000.00	191 625 550.00	53%	188 953 000.00	202 086 000.00
Other revenue	35 965 527.00	2 324 200.00	-94%	2 392 303.00	2 464 357.00
Gains on disposal of PPE	-	-		-	-
Total Revenue (excluding capital transfers and contributions)	622 833 150.00	607 266 829.00	-3%	625 923 875.00	656 524 342.00

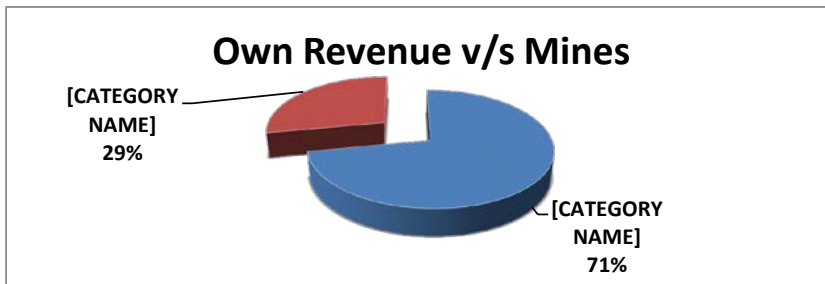


The budget is proposing a decrease in revenue from R622 million in 2014/15 to R607 million in 2015/16. The revenue is also estimated to R625 in 2016/17 and R656 in 2017/18. The decrease for the next financial year is 3%. The national fiscus will be contributing R191 million in the 2015/16 which is 53% increase from the previous financial year. The majority of the contribution is equitable share from department of cooperative governance and traditional affairs, the municipality will be receiving R1.5 million from national treasury for finance management grant, the department of cooperative governance and traditional affairs will also be providing a municipal system improvement grant and infrastructure skills development grant. The provincial department of sports and recreation will be subsidising library services with R5.6 million. Municipal infrastructure grant of R48 million and infrastructure grant of R8 million to finance infrastructure projects is also included.



The operating revenue of the municipality is mostly derived from own funds. We receive 69% of the revenue from the services and taxes we charge to the community. Only 31% is from the grants we receive from both national and provincial government. We are also expecting to generate R8.2 million from the agency service we provide on behalf of the department of transport. We need to improve services in this division so that we can maximise our income in this agency functions.

We have also analysed our own revenue based on the services we provide to local mines on the provision of water services. 29% of the R416 million we generate from own revenue is generated from the water sales to mines. This is a significant portion of the revenue that is dependent on very few clients. This has serious future impact especially on changing technologies in mines and the life span of mines.



Households and other local business will contribute R295 million into the operating income of the municipality. Council should note that this income is based on the revenue billed including indigents. The revenue is estimated in terms of 100% billing of all consumers. We need to note that the internal revenue of R295 million includes revenue that will be charged to communities in Bekkersdal and Simunye.

In terms of the strategic plan revenue collection from consumers should increase from 35% to 71% in the next 12 months. This will result into serious cash injection to the municipality. We are also anticipating that increase in revenue collection will decrease the outstanding debt and as a result we will recover R50 million. This will improve the municipality financial position and ensure that the financial liquidity of the municipality improves.

The municipality unemployment rates is 29% and have an average income of R5000 per month. This will have an impact in terms of the indigent households. The municipality is targeting to register all indigent household in July 2015 so that all indigents are not affected by aggressive debt collection that will be implemented.

The municipality has introduced the debt reduction scheme which is targeting consumers in Bekkersdal and Simunye. This is a critical component of internal revenue sources that should be targeted. The two areas owes the municipality R218 million and we believe that through aggressive collection the municipality can recover almost R80 million in the 2015/2016 financial year.

Property Rates

	2014/2015	2015/2016	Change
Residential Property	0.014	0.015	10%
Business	0.028	0.031	10%
Industries	0.028	0.031	10%
State Owned Property	0.026	0.029	10%
Public Service Infrastructure	0.026	0.029	10%
Farming property used for bona fide farming	0.01	0.011	10%
Farming property used for residential purpose	0.014	0.015	10%
Farming property used for industrial and business purpose	0.028	0.031	10%
Vacant Land irrespective of Zoning	0.1	0.11	10%

Mining Property	0.028	0.031	10%
Religious	0	0	

Comment [Raj1]: Why not 0.028 the same as industry??

The municipality have compiled a supplementary valuation roll which has been implemented from the 1st March 2015. The budget proposes a 10% increase in property rates for both household properties and business tariffs. The budget also proposes separate tariffs for mining properties that will be charged as industrial. The tariff policy proposes various rebates that can be offered by the council depending on the effective use of the land. The policy proposes rebates to agricultural property used for boni fide farming purpose.

Electricity Revenue

Domestic	<u>2014/15</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2015/16</u>	<u>Increase</u>
Prepaid	<u>Winter</u>	<u>summer</u>	<u>Winter</u>	<u>Summer</u>	
	<u>July/Aug/Sept/June</u>		<u>July/Aug/Sept/June</u>		
Block 1 (0-50 kWh)	96.00	69.00	103.30	74.24	7.6%
Block 2 (51 – 350 kWh)	104.00	74.00	111.90	79.62	7.6%
Block 3 (351 – 600 kWh)	131.00	100.00	140.96	107.60	7.6%
Block 4 (>600)	145.00	130.00	156.02	139.88	7.6%
Basic/Fixed Charge	80.00	80.00	86.08	86.08	7.6%
(R/Month)					
Domestic	<u>2014/15</u>	<u>2014/15</u>			
Conventional	<u>Winter</u>	<u>summer</u>			
	<u>July/August/Sept/June</u>				
Block 1 (0-50 kWh)	96.00	69.00	103.30	74.24	7.6%
Block 2 (51 – 350 kWh)	104.00	74.00	111.90	79.62	7.6%
Block 3 (351 – 600 kWh)	131.00	102.00	140.96	107.60	7.6%
Block 4 (>600)	146.00	132.00	157.10	142.03	7.6%
Basic/Fixed Charge	80.00	80.00	86.08	86.08	7.6%

<u>Commercial</u>	<u>2014/15</u>	<u>2015/2016</u>	<u>Increase</u>
Prepaid			
Basic Charge: R/month			
High season(Winter)	280.00	301.28	7.6%
Low season(Summer)	238.00	256.09	
Energy charge: c/kWh			
High season(Winter)	170.00	182.92	7.6%
Low season(Summer)	125.10	134.61	

Comment [Raj2]: Suggest leave basic charge constant at 280.00 for 12 months

<u>Commercial</u>	<u>2014/2015</u>	<u>2015/2016</u>	
Conventional			
Basic Charge: R/month			
High season(Winter)	500.00	538.00	7.6%
Low season(Summer)	425.00	457.30	
Energy charge: c/kWh			
High season(Winter)	91.98	98.97	7.6%
Low season(Summer)	73.00	78.55	

Comment [Raj3]: Suggest leave basic charge at 500.00 constant for 12 months

Comment [Raj4]: Should this not be 170.00 as per commercial prepaid?

Comment [Raj5]: Should this not be 125.10 as per commercial prepaid?

<u>INDUSTRIAL</u>	<u>2014/2015</u>	<u>2015/2016</u>	
Basic Charge: R/month			
High season(Winter)	700.00	753.20	7.6%
Low season(Summer)	595.00	640.22	
Energy charge: c/kWh			
High season(Winter)	91.98	98.97	7.6%
Low season(Summer)	73.00	78.11	
Demand Charge (R/kVA)			
High season(Winter)	104.36	112.29	7.6%
Low season(Summer)	104.36	112.29	

Comment [Raj6]: Suggest leave basic charge constant for 12 months at 700.00

The revenue for electricity will increase by 15% from R86.5 million in 2014/15 to R99.4 million in 2015/16. The budget's tariff structure is presently on seasonal tariff. The intention of the seasonal tariff is to ensure that the municipality is able to carry the winter bill from Eskom because as Megaflex customer Eskom charges the municipality in terms of time of use. The tariff will be cheaper in summer and expensive in winter.

The budget increased the Fixed Charge from R80 (2014/15) to R86 (2015/16) to all household consumers. This is meant to contribute to the infrastructure development required for electricity but also pay for electricity demand improvement for Westonaria. Electricity has a direct improvement on economic development and the municipality needs to improve its electricity needs and significant investment has to be made to improve the network infrastructure.

Water Revenue

Metered Water	2014/2015	2015/2016	Increase
Residential, Flats			
In excess of 0kl up to 6kl:	10.33	11.01	6.45%
In excess of 6kl up to 10kl:	11.15	11.88	6.45%
In excess of 10kl up to 20kl:	12.27	13.07	6.45%
In excess of 20kl up to 30kl:	13.49	14.37	6.45%
In excess 30 kl:	14.85	15.82	6.45%
Basic Charge	25.00	26.64	6.45%
Commercial			
For consumption up to 200kl per Kl:	14.85	15.82	6.45%
For consumption exceeding 200kl per kl:	16.50	17.58	6.45%
Institutional Buildings			
For consumption up to 200kl per Kl:	12.5	13.32	6.45%
For consumption exceeding 200kl per kl:	13.5	14.38	6.45%
Industries			
For consumption up to 200kl per Kl:	14.5	15.45	6.45%
For consumption exceeding 200kl per kl:	17.5	18.64	6.45%
Mines – Bulk			
Bulk Water	10.50	11.19	6.45%
Supply of unmetered water			
Deemed consumption: 30kl	152.00	161.94	6.45%

Comment [Raj7]: I think use 14.85 as commercial for consistency

Comment [Raj8]: I think use 16.5 for consistency

Comment [Raj9]: Use 14.85 here as well

Comment [Raj10]: Use 16.50 here as well

Comment [Raj11]: Use as household 429.70 (30kl x 13.49 + basis 25.00)

Informal Settlement water: kl	15.00	15.98	6.45%
Vacant Stands			
The following availability charges shall be payable in respect of vacant stands:			
1. Per residential stand per month : R120	120.00	127.85	6.45%
2. Per non residential stand per month: R170	170.00	181.12	6.45%
Charges for connecting water supply			
1. For the removal of unused meter and consequent disconnecting of supply	800.00	852.32	6.45%
2. For providing and installing a 20mm communication pipe with a meter	800.00	852.32	
3. For providing and installing a 25 mm communication pipe with a meter	2500.00	2 663.50	
4. For providing and installing a 50 to 150 mm pipe with a meter	12 000.00	12 784.80	
Special charges in connection with meters supplied by the municipality:			
1. For special reading of a meter at the request for a consumer (excluding new consumers)	221.41	235.89	6.45%
2. For installing a meter after the removal thereof	800.00	852.32	
3. For testing a water meter owned by the municipality at the request of the consumer, if it is found that the meter does not show an error of more than the prescribed tolerance:			
(a) Meters for pipes with a diameter measuring up to including 25mm, for each meter:	1 011.00	1 077.12	
(b) Meters for pipes with a diameter measuring more than 25 mm, for each meter:	2 020.00	2 152.12	

Consumer Deposits.			
Residential			
Flats	1 050.00	1 118.67	6.45%
Business	1 050.00	1 118.67	
Old Age Homes	2 050.00	2 184.07	
Light Industries	160.00	170.46	
Heavy Industries	5 000.00	5 327.00	
	10 000.00	10 654.00	
The deposit will be increased monthly by R250 as the consumer defaults on payment of services.			

The budget proposes a 12% increase in revenue for water from R123 million to R138 million. The municipality will be charging a five step tariff for water services. The step tariff will start at R11.01 for the first Kl to R15.82 per Kl if the consumer uses more than 25kl per month. The tariff model is meant to encourage water conservation. The consumer will also be charged a basic tariff of R26.64 per month which is meant to contribute to water infrastructure development. The budget proposes a 6kl free supply of water to indigent consumers. It also proposes a R11.19 per Kl supply rate to mines customers. The budget proposes that the municipality provide water services to informal settlement at R15.98 per kilo litre. The intention of the tariff is to ensure that the municipality recover some of the costs for services it provides to this community.

Sanitation Revenue

Private dwelling	2014/2015	2015/2016	Increase
Basic Charge per month based on size of the erf.			
Up to 350 sm	45.00	47.61	5.8%
Over 351 sm to 600 sm	65.00	68.77	5.8%
Over 601 sm to 800 sm	85.00	89.93	5.8%
Over 801 sm to 1000 sm	105.00	111.09	5.8%
Over 1001 sm to 1200 sm	115.00	121.67	5.8%

Over 1201 sm to 1400 sm	125.00	132.25	5.8%
Over 1401sm	150.00	158.70	5.8%
Additional Levy			
Residential per toilet	56.20	59.46	5.8%
Business per water closet / urinal stall	101.79	107.69	5.8%
Institutions, Schools, Church	101.79	107.69	5.8%
Industries per water closet / urinal stall	180.00	190.44	5.8%
Hotels, Motels, BnB per room.	92.61	97.98	5.8%

The budget proposes an increase in revenue from sanitation from R15 million to R32 million in the 2015/16 financial year. The objective in the new financial year is to charge all consumers for the services we provide and users with additional services points will pay double the standard rate. The budget proposes a basic charge of R47.61 to R158.70 depending on the size of the erf. The rationale is cross subsidization between the consumers. The additional levy of R59.46 will be paid per toilet. The improvement in the waste water treatment plant requires the municipality to have capacity to operate the service effectively.

Waste Management Revenue

Household Refuse Collection	2014/2015	2015/2016	Increase
Property Value			
R90 000 and less (including indigents households)	65.00	68.77	5.8%
R90 001 to R120 000	70.00	74.06	5.8%
R120 001 to R180 000	75.00	79.35	5.8%
R180 001 to R240 000	80.00	84.64	5.8%
R240 001 and R500 000	90.00	95.22	5.8%
R500 001 and more	120.00	126.96	5.8%
Garden and Rubble Refuse per load.	250.00	264.50	5.8%

Comment [Raj12]: I think start at R90000 which is the level we use for rat Indigents must be charges and credited with the subsidy. The reason for using the 90000 threshold is that we can going forward us this as presumed Indigent households and save costs of going to registration processes

The budget proposes a 50% increase in tariffs for this service. The revenue will increase from R15 million to R32 million. The service standard is to collect refuse at least once every week to each household. This service standard requires more equipment's so that the municipality can fulfil its mandate. Additional staff and equipment will be procured to improve this service but this will require funding for this services. The tariff is based on the value of the property and this will ensure cross subsidization within the community. The tariff will also fund other services like street sweeping and town cleaning. The tariff for properties in the CBD will increase to accommodate cost relating to CDB cleaning services.

WASTE DISPOSAL TARIFFS: LIBANON LANDFILL SITE

DESCRIPTION	CURRENT TARIFFS 2013/14(R/TON) INCLUDING VAT	PROPOSED TARIFFS 2014/15(R/TON) INCLUDING VAT	INCREASE
TARIFF FOR THE GENERAL PUBLIC , UP TO 500 KG	FREE	FREE	
TARIFF FOR THE GENERAL AND NON-HAZADOUS INDUSTRIAL DRY SOLID WASTE BY THE GENERAL PUBLIC AND CONTRACTORS IN EXCESS OF 500 KG	61.50	65.00	5.8%
TARIFF FOR DISPOSAL OF CLEAN COMPOSTABLE GARDEN REFUSE BY THE GENERAL PUBLIC AND CONTRACTORS IN EXCESS OF 500 KG	R35.00	37.00	5.8%
TARIFF FOR DISPOSAL OF GENERAL AND NON –HAZODOUS INDUSTRIAL DRY SOLID WASTE BY THE GENERAL PUBLIC	90.60	96.00	5.8%
DISPOSAL OF CLEAN NON –HAZADOUS BUILDER'S RUBBLE	FREE	FREE	
DISPOSAL OF CLEAN SOIL	FREE	FREE	
DISPOSAL OF DIRTY(MIXED) NON –HAZADOUS BUILDER'S RUBBLE	90.60	96.00	5.8%
TYRES- RIM SIZE UP TO 40CM IN DIAMATRE	13.78	15.60	5.8%
TYRES- RIM SIZE GREATER THAN 40CM IN DIAMATRE	28.62.	30.00	5.8%
DISPOSAL OF WASTE GENERAL NON-HAZADOUS WASTE BY PERSON/BUSINESS FROM OUTSIDE BOUDARIES OF WESTONARIA LOCAL MUNICIPALITY	181.20	192.00	5.8%

Budget proposes 5.8% for tariff increase for waste disposal. The tariffs will be from R65 to R192 per load on solid waste.

Cemetery Revenue

	2014/2015		2015/2016		Increase
	Residents	Non Residents	Residents	Non Residents	
Bekkersdal / Simunye Cemetery					
Weekdays					
Adult monumental section - Standard	209.00	418.00	221.12	442.24	5.8%
Adult monumental section - Casket /8 Ft/Ext	468.60	937.20	495.78	991.56	5.8%
Adult monumental section - Casket +8 Ft/Ext	468.60	937.20	495.78	991.56	5.8%
Children monumental section - Standard	209.00	418.00	221.12	442.24	5.8%
Wall of Remembrance	250.00	500.00	264.50	529.00	5.8%
Weekends					
Adult monumental section - Standard	297.00	594.00	314.23	628.45	5.8%
Adult monumental section - Casket /8 Ft/Ext	558.80	1 117.60	591.21	1 182.42	5.8%
Adult monumental section - Casket +8 Ft/Ext	558.80	1 117.60	591.21	1 182.42	5.8%
Children monumental section - Standard	297.00	594.00	314.23	628.45	5.8%
Wall of Remembrance	250.00	500.00	264.50	529.00	5.8%
Westonaria Cemetery					
Weekdays					

Adult monumental section - Standard	418.66	837.32	442.94	885.88	5.8%
Adult monumental section - Casket /8 Ft/Ext	605.66	1 211.32	640.79	1 281.58	5.8%
Adult monumental section - Casket +8 Ft/Ext	866.36	1 732.72	916.61	1 833.22	5.8%
Children monumental section - Standard	205.70	411.40	217.63	435.26	5.8%
Adult Lawn Section - Standard	460.53	921.05	487.24	974.47	5.8%
Adult Lawn Section - Casket/8ft/Ext	666.23	1 332.45	704.87	1 409.73	5.8%
Adult Lawn section - Casket +8 Ft/Ext	953.00	1 905.99	1 008.27	2 016.54	5.8%
Children Lawn section - Standard	226.27	452.54	239.39	478.79	5.8%
Weekends					
Adult monumental section - Standard	860.20	1 720.40	910.09	1 820.18	5.8%
Adult monumental section - Casket /8 Ft/Ext	1120.90	2241.80	1 1185.91	2 371.82	5.8%
Adult monumental section - Casket +8 Ft/Ext	1120.90	2241.80	1 1185.91	2 371.82	5.8%
Children monumental section - Standard	860.20	1720.40	910.09	1 820.18	5.8%
Adult Lawn Section - Standard	1032.24	2064.48	1 092.11	2 184.22	5.8%
Adult Lawn Section - Casket/8ft/Ext	1345.08	2690.16	1 423.09	2 846.19	5.8%
Adult Lawn section - Casket +8	1345.08	2690.16			

Ft/Ext			1 423.09	2 846.19	5.8%
Children Lawn section - Standard	1032.24	2064.48	1 092.11	2 184.22	5.8%

The budget proposes a two tariff model for residents and non-residents and it also proposes tariffs for weekend and during the week burials. The tariff proposes a 10% increase in tariffs for 2015/16 financial year.

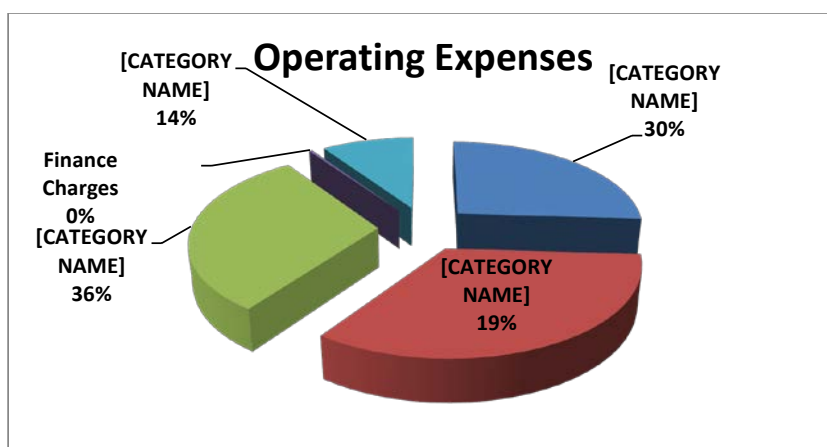
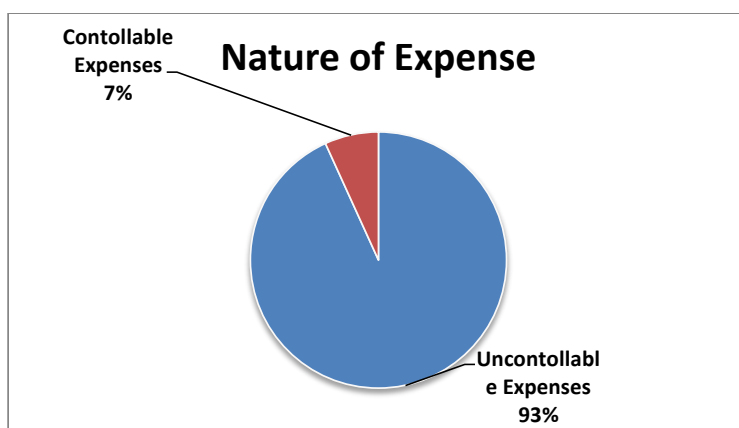
Additional tariffs to be include on Cemeteries

	2014/2015	2015/2016
Exhumation & supervision Fees	724	766
Grave Enlargement	117	124
Grave Enlargement (Westonaria)	260	275
Second interment (Re-opening) – Bekkersdal	190	201
Second interment (Re-opening) – Westonaria	310	328
Approval of Plan for Memorial	180	190
Transfer of rights (Reserved Grave)	96	102
Closing of Graves (Any size)	200	212
Late burial orders/confirmations over and above burial fees charged	150	159
PARKS	2014/2015	2015/2016
Tree Cutting : Week days only	-	260.00 per hour
Tree Cutting and Removal: Week days only	-	360.00 per hour

Operating Expenditure

Description		
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R thousand	2014/2015	2015/2016		2016/17	2017/18
Expenditure By Type					
Employee related costs	136 494 954.00	154 411 662.00	13%	156 045 337.00	157 696 297.00
Remuneration of councillors	11 626 000.00	12 556 080.00	8%	13 560 566.00	14 645 411.00
Debt impairment	75 000 000.00	25 000 000.00	-67%	26 450 000.00	27 984 100.00
Depreciation & asset impairment	117 500 000.00	79 479 870.00	-32%	84 089 702.00	88 966 905.00
Finance charges	5 601 909.00	2 200 000.00	-61%	1 500 000.00	1 100 000.00
Bulk purchases	180 445 135.00	193 733 448.00	7%	214 189 257.00	236 889 540.00
Other materials	455 000.00	4 000 000.00	779%	4 232 000.00	4 477 456.00
Contracted services	19 900 000.00	21 054 000.00	6%	22 317 240.00	23 656 274.00
Transfers and grants	-	-		-	-
Other expenditure	16 950 767.00	50 918 000.00	200%	43 268 760.00	30 308 605.00
Loss on disposal of PPE	-	-		-	-
Total Expenditure	563 973 767.00	543 353 060.00	-4%	565 652 863.00	585 724 590.00



Employee Cost (SA22)

The municipality has 569 staff members and has 34 internship staff in the municipality. The employee cost of the municipality is R167 million which is 30% of the total operating expenditure. Employee cost constitutes 31% of the municipalities operating revenue. The ratio between population and staff in the municipality is 195 is to one. This means that one employee in the municipality should serve 195 community members in terms of various services we provide to the community. The municipality provides 20 different kinds of services to the community which exclude all administrative and support functions that enables services delivery. The community expect the effective and excellent service standards from the municipality.

The municipality has 369 vacancies of which this might be a root cause of R3 million being paid for overtime. The municipality will be reviewing the organisational structure in 2015/2016 to ensure that we ensure full optimisation of staff but also ensure effective utilisation of resources. The municipality will be filling critical posts in the community services and infrastructure services department to ensure effective service delivery. The salaries for staff will be increased by 13% for the 2015/2016 financial year which includes post-retirement benefits provision and we expected the increase of 8% for councillors.

Debt and Assets Impairment.

The estimated debt impairment expenditure for 2015/2016 is R25 million which is provision for debt to be written off relating to debt reduction plans and schemes. The debt impairment have decreased by R50 million. The budget also includes asset impairment provision for R79 million. The depreciation has decreased by 32% and this has significantly decreased the operating expenditure for the municipality.

Bulk Purchases

The purchase of water and electricity continues to be one of our highest cash expenditure. The bulk water purchases are estimated at R111 million and bulk electricity at R81 million. This expenditure times has a serious impact in the cash position of the municipality. The municipality currently owes Eskom R59 million which should be settled before March 2016. This poses a serious threat to the liquidity of the municipality and we have an obligation to settle this debt. We plan to use equitable share to settle some of the debt but also cash recovered from debt collection will assist in settling the debt.

Finance Charges (SA17)

The municipality has four loans with landing companies in the country. The debt is repayable monthly to various banks. The municipality will be paying interest on outstanding debt of R2.2 million per annum for all the debts it has with various institutions.

Financial Year: 2014/15											
Loans register as at 28 February 2015							Payment made				
Institution	Start Date	End Date	Payment terms	Term Value	Purpose	Rate	Loan amount (R'000)	Balance at 31/12/2014 (R'000)	Interest (R'000)	Capital Repayment (R'000)	Balance at 31/01/2015 (R'000)
STD BANK	2012/01/09	2017/09/01	Monthly	5	PPE	9.85	14 000	8 772	66	229	8 843
INCA West 01-0005	05/12/2005	31/12/2015	Semi-annually	10	PPE	10.61	3000	457			457
INCA West 01-0008	27/06/2007	30/06/2017	Semi-annually	10	PPE	11.11	2970	1 066			1 066
INCA West 01-0011	2009/03/09	30/08/2015	Monthly	7	PPE	13.79	8300	1 179	12	142	1 037
DBSA 10506/102	1997/07/01	30/06/2017	Semi-annually	20	PPE	8.5	6 846	1 512			1 512
INCA West-01-0009	01/05/2008	30/06/2018	Semi-annually	4	PPE	13.36	5272	2 701			2 701
							40 388	16 045			15 315

Contracted Services

The expenditure relates to contracted services relating to various services we require as the municipality. The budget proposes an increase of R1.1 million on contracted service for the 2015/2016 financial year. The contract the municipality has with various service providers will lapse towards December 2016 to ensure smooth transition for the new municipality. The budget for contracted services will pay for Security Services, Fleet Management, internal audit, insurance and Printing Services which are major supplies.

Operating budget by vote

Vote Description	2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Budget Year 2015/16	Budget Year +1 2015/16	Budget Year +2 2016/17
Revenue by Vote			
Vote 1 - Executive and Council	739,272	782,150	827,515
Vote 2 - [Budget and treasury Office]	272,696,590	276,905,296	294,457,407
Vote 3 - [Corporate Services]	387,089	398,057	409,660
Vote 4 - [Community Services]	6,299,027	4,825,646	5,070,733
Vote 5 - [sports and Recreation]	264,500	279,841	296,072
Vote 6 - [Public Safety]	7,391,188	7,819,877	8,273,430
Vote 7 - [Housing]	976,919	1,033,580	1,093,528
Vote 8 - [Health]	892,000	943,736	998,473
Vote 9 - [Planning and Development]	2,578,250	2,687,790	2,841,580
Vote 10 - [Road and Development]	18,274,029	19,333,923	20,455,291
Vote 11 - [Environment protection]	0	0	0
Vote 12 - [Electricity]	99,475,506	109,423,057	107,759,392
Vote 13 - [Water]	138,232,812	140,260,226	149,433,245
Vote 14 - Water Waste Management	26,758,647	27,229,697	28,809,019
Vote 15 - [Waste Management]	32,301,000	34,001,000	35,799,000
Total Revenue by Vote	607,266,829	625,923,875	656,524,343
Expenditure by Vote			
Vote 1 - Executive and Council	36,400,458	37,128,001	37,870,229
Vote 2 - [Budget and treasury Office]	47,474,376	50,227,890	53,141,107
Vote 3 - [Corporate Services]	40,900,406	41,717,551	42,552,463
Vote 4 - [Community Services]	29,980,884	31,625,156	33,361,935
Vote 5 - [sports and Recreation]	3,869,106	4,093,514	4,330,938
Vote 6 - [Public Safety]	23,897,904	25,006,582	26,174,016
Vote 7 - [Housing]	3,000,000	3,300,000	3,600,000
Vote 8 - [Health]	1,350,000	1,350,000	1,350,000
Vote 9 - [Planning and Development]	13,299,876	14,100,411	14,924,845
Vote 10 - [Road and Development]	49,412,824	50,584,798	51,791,075
Vote 11 - [Environment protection]	0	0	0

Vote 12 - [Electricity]	99,475,506	109,423,056	107,759,391
Vote 13 - [Water]	138,232,812	140,260,226	149,433,245
Vote 14 - Water Waste Management	26,758,647	27,229,697	28,809,019
Vote 15 - [Waste Management]	29,301,245	29,605,810	30,626,947
Total Expenditure by Vote	543,354,044	565,652,691	585,725,210
Surplus/(Deficit) for the year	63,912,785	60,271,184	70,799,133

Trading Services	Revenue	Expenditure	Surplus and Deficit
Electricity Distribution	99,475,506	99,475,506	0
Water Distribution	138,232,812	138,232,812	0
Sewerage	26,758,647	26,758,647	0
Solid Waste	32,301,000	29,301,245	2,999,755
	296 767 965	293,768,210	2,999,755
As percentage of Total	49%	54%	5%

The most important table from the budget presented per vote is the analysis on the operation of the trading services. The trading services are meant to operate at a profit so that they could finance other non-revenue generating services we provide to the municipality. As per the table above the council should note that all this services are at the break-even point, except for solid waste which is anticipated to operate at the profit of R2.9 million. This has improved the operating surplus of the Municipality, however is not sufficient to subsidize community services. If we have to ensure that this services are producing as required we will have to improve revenue in this services by increasing services but our rates policy also states that affordability should be taken into account when approving tariffs.

The projections is that this situation will remain as is until council make huge improvements in its operations and ensure that our community fully pay for the service they receive.

The budget have also allocated R83 million in the 2015/16 financial year for community services of which the municipality only recover 10% of the cost from own revenue. The services should be finance through property rates and profits from trading services. The municipality generates an income of R67 million from property rates and the community stills feels strongly that they cannot afford this services. If the community cannot afford this services it means the municipality should reduce this services and this will have negative impact in the social issues in the community.

Capital Budget

Capital budget	2015-16	Funding Source	IDP Priority	2016-17	2017-18
	R			R	R

Goal 1 : To promote integrated sustainable development					
Westonaria Borwa Electrification	8,000,000.00	INEP	Yes	6,000,000.00	7,000,000.00
Goal 2 : To ensure the provision of basic services to communities					
Simunye Multi Purpose Sport & Recreation Community Centre (phase 2)		MIG	No	5,056,048.34	3,996,839.22
Simunye Multi Purpose Sport & Recreation Community Centre (Indoor Exercise Facility)	6,534,699.00	MIG	No		
Roads in Zuurbekom (phase 2)		MIG	No	5,000,000.00	3,958,400.00
Zuurbekom New and Refurbishment of High Mast Lighting	5,000,000.00	MIG	No		
Simunye Internal Roads (Phase 5)	9,877,096.00	MIG	No	3,192,151.66	
Zuurbekom Multi Purpose Sport & Recreation Community Centre		MIG	No		3,500,000.00
Westonaria Sport Complex (Phase 2)		MIG	No		8,000,000.00
Westonaria Cemetery Refurbishment	300,000.00	MIG	No		
Hills Haven Outfall Sewer Upgrade		MIG	No	7,000,000.00	
Bekkersdal Stadium Refurbishment (Fencing, Portable Stands, Guardhouse, Artificial Football field, Grass embankment seating, Upgrading ablution facility)	9,134,626.19	MIG	No		
Venterspost Streetlights - New and Refurbishment	5,000,000.00	MIG	No		
Hannes van Niekers Access Road		MIG	No		15,000,000.00
Westonaria alternate supply pipeline construction		MIG	No	5,500,000.00	
Glenharvie Alternate Pump Supply pipeline construction		MIG	Yes	5,000,000.00	
Goal 3 : To promote local economic and social development					
Construction of waste processing plant (Phase 2)		MIG	Yes	5,000,000.00	5,000,000.00
Proposed infrastructure (Industrail park) development on portion 47 & 48 of the farm Gempost 288IQ	6,206,028.81	MIG	Yes	8,000,000.00	6,835,160.78
Goal 4: To provide safe environment					
Holticultural equipment	500,000.00	Own Revenue	No	500,000.00	
Goal 5: To ensure internal municipal excellence					
ICT Equipments	750,000.00	Own Revenue	No		
Tools and Equipments	1,000,000.00	Own Revenue	No		
Goal 6 : To provide a democratic and accountable government for local communities					
PA System	30,000.00	Own Revenue	No	-	-
Goal 7 : To ensure financially viable and sustainable municipality					
Pre-paid Water Meters (phase 4) - supply and Installation	2,000,000.00	MIG	No	2,000,000.00	2,000,000.00
Installation of smart meters system	8,000,000.00	Own	No		

		Revenue			
				-	-
Total Capital Budget	62,332,450.00			52,248,200.00	55,290,400.00

Source of funding	2015/16 Medium Term Revenue & Expenditure Framework		
	Budget Year 2015/16	Budget Year +1 2015/16	Budget Year +2 2016/17
National Government	44,460,000.00	45,748,200.00	48,290,400.00
Provincial Government	469,000.00	-	-
District Municipality	-	-	-
Other transfers and grants	8,000,000.00	6,000,000.00	7,000,000.00
Internally generated funds	9,872,000.00	500,000.00	-
Total capital budget	62,801,000.00	52,248,200.00	55,290,400.00

The budget proposes capital expenditure of R62.8 million for the 2015/16 financial year and R52.2 million, R55.2 million for the 2016/17 and 2017/18 respectively. The budget will be mainly financed by a MIG allocation of R44.4 million. The municipality will also receive R469 000 from the department of arts and culture for purchase of furniture and fittings. The department of energy have allocated R8 million for electrification of Westonaria Borwa. The municipality will be contributing R9.8 million which will be mostly used for Installation of smart meters for high consumption users in Westonaria and horticultural equipment.

Budget and Job Creation

The budget for 2015/16 also focuses on job creation and improving the economy of Westonaria. The municipality has set a target to ensure that procurement spent of the municipality improves the economy of the area. The strategic plan has set a target that 35% of all procurement spent of the municipality should be spent locally. The target is that at least R43 million of goods and service should be procured locally.

The capital budget will mainly focus on economic development, human settlements and electricity infrastructure and may also produce 328 temporary jobs in the construction phase of the projects. We should note that this refer to construction process jobs to be created.

The budget allocates R2 million in the EPWP programme. This programme will employ 325 staff members for a period of 12 months. The intention is to ensure that people who are employed in this project are capacitated so that they can be able to create self-employment. The municipality is also planning to create more jobs using waste recycling. This initiative can create substantial and permanent employment to many women in the community.

The municipality is planning to employ permanent staff at the infrastructure and community services department to ensure that we have required skills in the department. The municipality is in desperate need of technicians and professionals who will improve the services in the municipality.

Budget and the Youth

The municipality will continue to develop learner ships and internships in the municipality which plays an important part in the development of skills. This will ensure that we develop a second layer of staff that are capable and can be able to assist the municipality in providing effective services. The municipality will be concluding an agreement with LGSETA to ensure that we continue to provide necessary skills to young people.

The municipality will also ensure 40% of the procurement spent is provided to young people. The intention is to ensure that young people participate in the economy of the country. Special projects will be developed to ensure that young people benefit from this projects and programmes.

The municipality will be engaging the National Youth Development Agency with the intention of opening a local youth office of the NYDA that will be used as a referral service in the youth development initiative. The office will be mandated by staff who are properly trained and able to address youth issues in the municipality.

Budget Related Policies

We have attached the following policies to this budget to be reviewed that will ensure that the budget is implemented and realised:

1. Credit Control and Debt Collection Policy
2. Property Rates Policy
3. Tariffs Policy
4. Budget Veriment Policy
5. Cash and Investment Policy
6. Bad Debts Write off policy
7. Tariff Book

Recommendations

1. THAT the council note the report.
2. THAT the council approves the annual budget and budget related policies.